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CORPORATION FILE

Dart Industries Inc.

Annual Report 1970

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Annual Meeting

The Annual Meeting of Stockholders of Dart Industries Inc. will be held at 9 a.m. on Tuesday, April 27, 1971, at corporate headquarters, 8480 Beverly Blvd., Los Angeles, California 90048.

Year in Brief

	1970	1969†
OPERATIONS		
Net sales	$703,304,000	$666,543,000
Earnings from continuing operations — excluding Riker	39,713,000	40,719,000
Earnings of Riker after taxes		4,290,000
Earnings before extraordinary items	39,713,000	45,009,000
Extraordinary items	52,445,000	
Net earnings	92,158,000	45,009,000
Earnings per share of Common Stock		
Including Common Stock equivalents		
Continuing operations — excluding Riker	1.90	1.98*
Riker		.24*
Before extraordinary items	1.90	2.22*
Extraordinary items	2.94	
Net earnings	4.84	2.22*
Fully diluted		
Before extraordinary items	1.88	2.14*
Net earnings	4.40	2.14*
AT YEAR END		
Shares of Common Stock outstanding	17,815,100	17,748,000*
Shares of Preferred Stock outstanding	2,959,800	2,956,300
Current assets	$325,041,000	$301,931,000
Current liabilities	169,894,000	131,244,000
Working capital	155,147,000	170,687,000
Long term debt	76,616,000	78,551,000
Stockholders' equity	428,011,000	345,894,000
DIVIDENDS PER SHARE		
Common Stock		
Cash	$ .30	$ .30
Stock	3%	3%
Preferred Stock	$2.00	$2.00

†Restated for poolings of interests.
**Adjusted for 3% Common Stock dividend issued in March 1970.*

To the Stockholders:

Results for the Year 1970 Operating earnings were $39.7 million after taxes — the second highest in corporate history surpassed only by the record earnings achieved in 1969.

In addition, there was an extraordinary gain of $54.8 million from the sale of Riker Laboratories to Minnesota Mining and Manufacturing Company (3M). This was offset in part by estimated earthquake damage of $2.3 million, after insurance recovery and taxes, sustained by our Thatcher Glass container manufacturing plant in Saugus, California.

Sales were $703 million compared with $667 million from continuing operations in 1969.

The decline of the economy in 1970 affected earnings in the consumer products area for most of the year and chemical operations in the last half.

Throughout the entire year, and in comparison with 1969, earnings were adversely affected by the substantial investment in developing eight direct selling cosmetics operations around the world. These losses and costs were charged against income as incurred. Per share earnings for 1970 would have been approximately 15% greater than reported without these losses and development expenses.

The record highs achieved by the Tupperware, plastics and glass containers divisions offset the negative factors to some degree and highlighted the significance of the Company's diversification. A detailed review of operations is provided starting on page 5.

Earnings comparisons between 1970 and 1969 were penalized by interest expenses net of interest income of 22¢ a share in 1970 while these net expenses in 1969 were 11¢.

The effect of suspension of the investment credit was substantially offset by the reduction of the federal income tax surcharge.

Riker earnings, which were 24¢ a share in 1969, were not fully replaced by dividends (12¢ a share) from the 3M shares received in exchange for the sale of that division. However, the extraordinary gain from the sale is equivalent to $3.07 a share. Please take note that this is a one-time gain separate from our operating earnings.

Sales and Earnings by Lines of Business*

This year we are presenting sales by the major lines of business. This should prove helpful to you in better understanding Dart Industries.

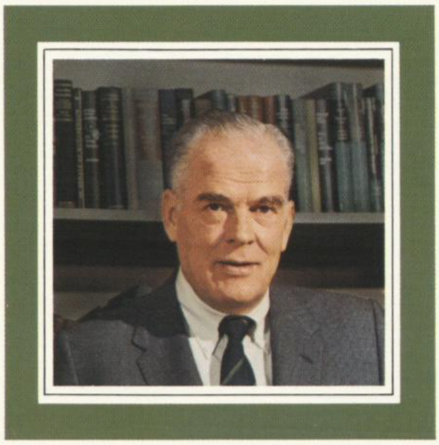
While it is difficult to segregate profits after taxes by line of business because of other costs of the Company, such as interest, corporate expenses and taxes, we can calculate the approximate direct profit contribution from each of these major areas. A condensed summary of sales and pretax earnings on this basis is offered below.

	1970	(in millions)	1969**	
	Sales	*Earnings*	*Sales*	*Earnings*
Direct Selling (includes Tupperware — Sales $118 in 1970, $113 in 1969)	$141	$28.9	$135	$33.9
Consumer Products	118	15.3	117	18.1
Chemicals and Plastics	179	24.2	169	24.6
Glass Containers	112	21.5	98	21.0
Rexall Drug and Retail	126	3.3	129	3.2
Other	27	.5	19	(1.9)
Total	$703	$93.7	$667	$98.9

**Before deduction of certain corporate expenses, interest on debt and other obligations and taxes based upon income; and before addition of interest and other income. Excludes extraordinary gain in 1970 on sale of Riker ethical drug business to 3M and extraordinary charge resulting from earthquake damage to Thatcher Glass plant and inventory in California.*

***Restated for poolings of interests and to exclude operating results of Riker.*

JUSTIN DART, *Chairman, President and Chief Executive Officer.*



Vanda Beauty Counselor Sales of the direct selling cosmetics division in 1970 did not reach projected levels and costs and expenses, as mentioned earlier, were substantially higher than in 1969.

The restructuring of world-wide operations has been expensive and time consuming. The combining of several different cosmetics lines has caused not only difficulties, but extraordinary inventory obsolescence. But as a result, we now have eight operations around the world selling cosmetics directly to the consumer and serving most of the markets already successfully served by Tupperware. Each operation is now headed by a chief executive in whom we have confidence.

In these eight major markets we are currently employing four different sales and distribution approaches. The knowledge and experience we are gaining, we believe, will prove of inestimable value in developing the sales techniques which will be most effective in each of the countries served by these operations, including the United States.

We expect some of these markets will be profitable in 1971 and that the overall losses from the multiple market developments will be reduced in 1971 compared with 1970.

Faith in this undertaking is based on the combination of the Company's financial strength to mount an effort of this magnitude and the basic know-how already possessed by the Company in world-wide direct selling.

Earthquake of February 9, 1971 in Los Angeles Area The Saugus, California plant, one of Thatcher Glass' six glass container manufacturing plants, was damaged severely in the major earthquake that occurred in Southern California on February 9, 1971. There were no serious injuries among the employees. Several other facilities sustained minor damage.

Losses and costs and expenses expected to be incurred are estimated at $2.3 million after reduction for insurance recovery and current and future tax benefits. Consistent with our conservative accounting policies, this amount has been provided for as an extraordinary item in the Statement of Earnings for 1970.

One of the three glass furnaces in the Thatcher plant was back in operation ahead of expectations and less than a week after the earthquake through the outstanding efforts of Thatcher people. The other furnaces are presently expected to be operational in April 1971.

A Decade of Growth: 1961-1970 Growth of the Company in both volume and earnings in the decade from 1961 to 1970 was well above the average for all manufacturing industry. Sales in 1970 were more than twice those in 1961. Net earnings increased progressively in all but three of the ten years and pretax earnings for 1970 were more than three times the 1961 level. During this decade, owners of Common Stock received a 3% stock dividend each year, the Common Stock was split two-for-one and total assets tripled.

Growth of operations outside the United States more than kept pace with domestic growth. In 1961 such operations accounted for $17.3 million in sales and $455,000 in net earnings, and were concentrated in five countries. For 1970 they were $94 million in sales and $5.4 million in net earnings, with activities in over 30 countries.

(1961 figures for these comparisons have been restated for certain pooling of interests acquisitions.)

Financial Position Strongest At year-end 1970 there was 18¢ of long term debt for every dollar of Stockholders'

Equity. This compares with a .52:1 debt to equity ratio in 1961.

The strength of our balance sheet enabled the Company to arrange a 3-year revolving credit for $100 million with a group of banks. This was accomplished during the summer and finalized in early August in the face of the then very tight money market conditions. The revolving credit was established as an "insurance policy" so that funds would be continuously available as needed for the planned growth of the Company over the next several years regardless of changes in money market conditions.

During the year the Company resorted to short term borrowing in support of the capital expansion program and entrance into recreational land development. In addition, inventories were maintained at a higher level than in 1969, contributing to our needs for borrowing.

For 1970, therefore, interest expense was greater than in 1969, when we had no significant short-term borrowing.

With the substantial decline of interest rates in recent months, your Company now is planning a $60 million public offering of 25-year debentures and is filing a registration statement with the Securities and Exchange Commission. In light of the planned debenture issue, we will be re-examining the need for continuing the revolving credit arrangement entered into in 1970.

Preparation for Continued Growth

In view of our strong financial position, we have been able to expand and build facilities required to meet future needs. Cost of property, plant and equipment was $58 million in 1970 and $65 million in 1969, which was substantially more than the $35 million spent in 1968. Expenditures for 1971 are budgeted at $57 million.

Dart Industries People — Keystone of Continued Growth Our employee count at the end of 1970 reached 26,800 compared with 26,600 a year ago (excluding Riker), and 15,800 ten years ago. 4,500 were employed outside the U.S. compared with approximately 1,200 in 1961.

These management changes occurred during 1970: Thomas M. Mullen was elected as Treasurer. He had been Assistant Treasurer since 1967 and is responsible for the Corporation's successful money management program. Gary G. Cowan, president of Dart Properties, was elected Vice President of the Corporation. Dart Properties represents a new business venture which we expect will make a substantial contribution to the future of the Corporation.

We strengthened our corporate management group further with the addition to our Officers of William K. Brehm, formerly Assistant Secretary of the Army. Mr. Brehm's distinguished career in the Department of Defense included responsibility for force readiness and deployability, manpower requirements, manpower management and personnel policy and management. As Vice President — Corporate Development, Mr. Brehm is responsible for planning the resources needed for future expansions and acquisitions and for analyzing current corporate activities for potential growth.

We were saddened during the year by the death of Earl E. Anderson. Mr. Anderson became a Director of the Corporation in 1941 and served with distinction until his retirement from the Board in 1961. He continued to make valued contributions while serving as an Honorary Director from 1961 to his death.

A preliminary statement on 1970 earnings, including the outlook for 1971, was mailed to Stockholders last month.

Justin Dart

Justin Dart
Chairman and President

March 2, 1971

Operations Review

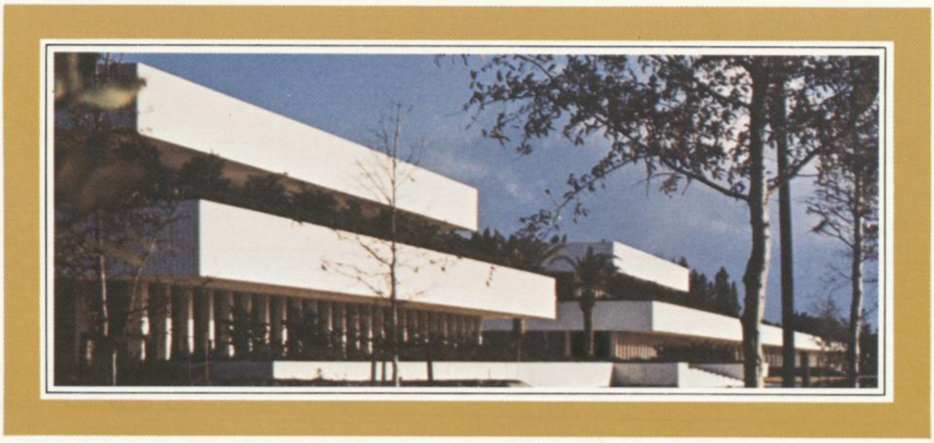
Direct Selling Group

TUPPERWARE DIVISION Sales and earnings of the Tupperware Division, world leaders in quality food serving and storage containers, improved in 1970 compared with the prior year. International operations, particularly in Europe and Japan, spearheaded the increase, with operations in the United States continuing to account for more than half the division's total sales and earnings.

U.S. operations overcame the effects of the economic slowdown through successful dealer recruitment programs, training conducted by distributors, and new product introductions. These activities stimulated an increase in the number of *Tupperware* home parties in the second half of 1970.

Indicative of the Company's commitment to increasing its direct selling activities was the completion of the new headquarters center for international direct selling operations in Orlando, Florida. The center was dedicated in August 1970, in connection with the annual meeting of *Tupperware* dealers and distributors from North and South America. Introduced at the meeting was a new canister set featuring decorator colors and a unique new *Tupperware* seal. The patented, second generation seal and canister set are notable additions to the *Tupperware* product line and will be introduced to overseas markets in 1971.

New center at Direct Selling headquarters, Orlando, Florida, is indicative of the Company's commitment to this area of its business.



We feel further increases in sales are attainable. The division has the support of a larger sales force than in prior years. The introduction of additional new products, featuring the new seal concept along with the decorator colors, should improve sales volume. Management is expanding programs to encourage future leaders to train as *Tupperware* managers.

Tupperware Division's long-range planning continues to focus on the nation's youth and future homemakers. This includes support of national 4-H activities and a pilot program involving home economics classes at high school level, adding excellent growth opportunities.

A recent announcement that the division will be advertised on the nationally televised Dinah Shore Show has received enthusiastic response from *Tupperware* distributors and sales people.

VANDA BEAUTY COUNSELOR Comments on the results of 1970 operations for the Vanda Beauty Counselor division are included in the President's Letter to Stockholders on page 3. Planned growth in sales of the division did not materialize in 1970; however, because of reorganization and management changes and improved distribution programs, the Company is optimistic.

To increase market penetration, the basic distributor plan, through which the products flow from the Company to a distributor to a counselor for sale in the customer's home, has been expanded with the addition of over 300 branch distributors. Working under the direction of distributors, branch distributors are able to devote more time to recruiting, training and motivating counselors. Also new incentive programs are being added to encourage and reward the salespeople.

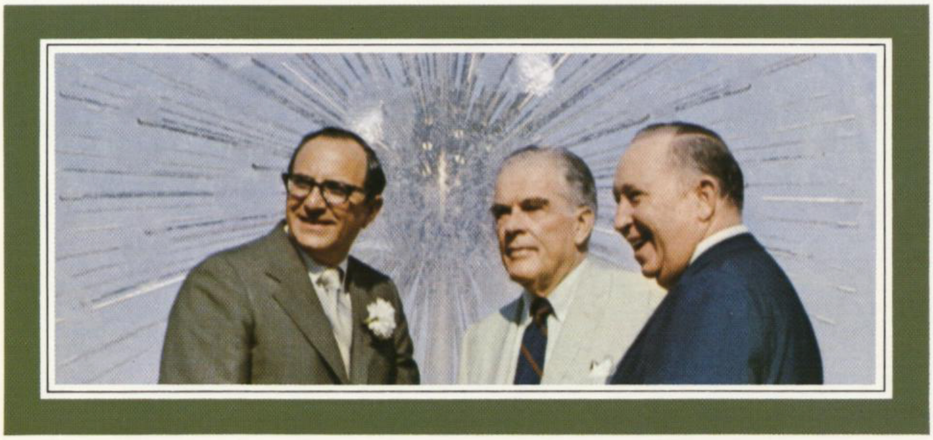
Vanda Beauty Counselor products comprise a full range of cosmetics and toiletries for the entire family. On pages 22 through 25 the breadth in variety and the exciting styling of the products are illustrated. We are continuing to expand and improve the line both in packaging and formulation of new products. To fully appreciate their fine quality, *Vanda Beauty Counselor* products must be experienced through first-hand use.

Only the finest cosmetic ingredients and materials, pretested in the division's own laboratories, are used. In this connection, the division is establishing at its headquarters in Orlando, Florida, a new facility specifically for the research, development and formulation of cosmetics. The laboratories will carry on basic scientific research in the areas of skin biochemistry, skin vitality, makeup, and general product development for both men and women. Included will be a "pilot plant" to determine and solve problems of production and assembly before product specifications are released for manufacturing.

International Operations In addition to the United States, there are operations in Canada, Mexico, England, France, Italy, South Africa and Australia.

The Romney, Beauty Counselor and Vanda operations in the United Kingdom, France and Italy have now been combined into one company and consolidation of the product lines is proceeding on schedule. The marketing changeover to the *Vanda Beauty Counselor* line is being completed in Canada, Australia, Mexico and Puerto Rico. Operations have been started and are well under way in South Africa, Lebanon, Belgium and Denmark. The operations outside the United States accounted for over 50% of total sales during 1970.

Company-operated cosmetics manufacturing facilities are located in the United States, Mexico, Canada, Belgium and South Africa.

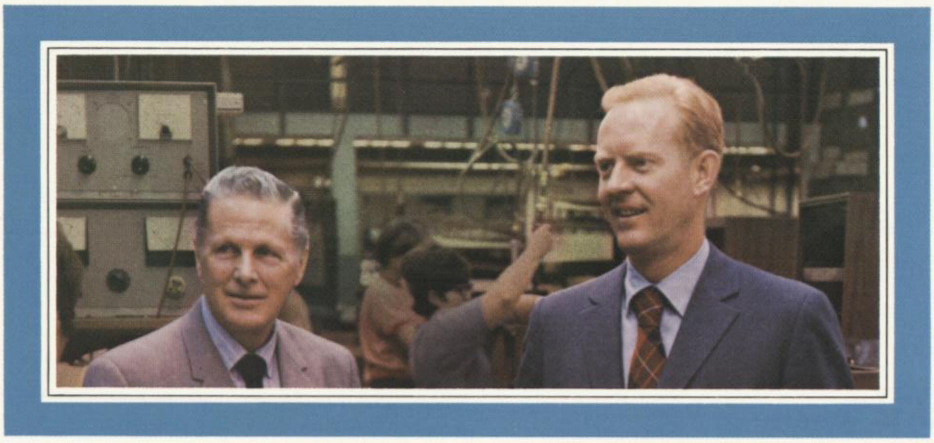


JOSEPH HARA, *President, Tupperware Home Parties;* JUSTIN DART; H. F. WILSON, *Chairman and Chief Executive, Direct Selling Group and Executive Vice President of the Company, at the dedication of the Company's Direct Selling headquarters in Orlando, Florida.*

Consumer Products Group

During 1970 new facilities of about 600,000 square feet were either brought on-stream or substantially completed for the West Bend and Home Furnishings divisions. Absorption of facilities expansion, increased costs, and record expenditures for new product development, combined with belt-tightening by the consumer, produced a nominal increase in overall sales but a decline in profits. New facilities and new products will aid the anticipated resumption of the historical growth trends of the two divisions.

J. R. BROWN, *President, The West Bend Company;* R. D. ZIEGLER, *President and Chief Executive, Consumer Products Group and Vice President of the Company.*



WEST BEND DIVISION The increased emphasis on development at **West Bend-U.S.** resulted in new product introductions of major significance during 1970 and at the January 1971 Housewares Show in Chicago. Included were colorful 8-cup polypropylene percolators, an electric fondue pot, new lines of porcelain, colored cookware in both aluminum and stainless steel, a portable hand steamer for removing wrinkles from fabrics, and an expanded line of home comfort products including an all new electronic air cleaner and a portable, table-top humidifier.

Specialty cookware product lines sold directly to the home continued to be improved to preserve uniqueness and further enhance their established quality image. Recruiting and training of sales people progressed at an accelerating rate.

A new 275,000 square-foot distribution facility was occupied in stages during the second half of 1970 and new efficiencies in operations should be realized.

Coppercraft Guild, which sells a variety of giftware directly to the consumer, had an excellent year attributable to an aggressive sales program, improvement of the product line, and development of an enthusiastic organization at the plant and in the field.

Thermo-Serv maintained sales equal to 1969 on its insulated and non-insulated plastic serving ware for household and institutional use. It also broadened its base through the acquisition of Universal Vacuum Products, Inc., Hartford, Connecticut. Vacuum products completely redesigned with proprietary features were introduced at the January 1971 Housewares Show under the *Thermo-Serv* name, with an excellent customer response.

Nappe-Smith introduced a variety of new insulated bags and thermal containers in 1970 and established a manufacturing facility in Isanti, Minnesota to better serve customers in the central states.

West Bend-Canada had a slower year, largely related to the economy.

HOME FURNISHINGS DIVISION The economy and related deferral by consumers of discretionary purchases of many of this division's products had a severe impact on results compared with 1969. New product introductions and a better consumer spending climate should improve future prospects.

Syroco, the leading manufacturer of decorative accessories for the home, has strengthened its marketing base with an early 1971 introduction of a line of Parsons tables, available in five colors. This new line already has had an enthusiastic response.

Strikes and construction difficulties prevented completion of a 250,000 square-foot addition to the Syracuse, New York plant in the fall of 1970. Occupancy is now expected in the spring of 1971. Operating efficiencies as a result of this new facility, coupled with cost reductions implemented in late 1970, should have a wholesome effect on the future.

Syroco, Canada, now occupying its new plant in Kitchener, Ontario, also experienced a slow-down in 1970 influenced by the Canadian economy.

Babcock-Phillips, a producer of hassocks, cushions and pillows, is adding to its product line in 1971. With new products and additional capacity becoming available, the division anticipates improved results.

Reliable Manufacturing is expanding its base of operations. In addition to manufacturing picture frames and framed prints and oils for sale through leased departments in leading retail stores throughout the United States, new sales efforts are devoted to the mass merchandising and contract buying fields.

Glass Containers Group

THATCHER GLASS Sales and profit improvements were attained in 1970 despite the slow-down of the economy. Thatcher continued to direct much of its sales effort toward the rapidly growing one-way beer and soft drink markets for beverage containers and attained a larger market share in each. An outstanding marketing effort was aided by the manufacturing division's reputation for producing finest quality glass containers.

Thatcher research is directed toward the reduction of weight and improvement in strength of glass bottles. Feasible methods are being sought to chemically temper the bottle surface to materially strengthen containers so they may be made lighter. Improved inspection and testing equipment has been developed to achieve still better quality. Included are a sidewall thickness detector, an impact simulator and an internal pressure tester.

The Wharton, New Jersey plant, which was affected in 1969 by the shortage of skilled labor in connection with the start-up of expanded facilities, began contributing to profits.

In November 1970, a forty-month labor contract was signed with the union representing over 90% of Thatcher hourly workers. A three-year contract with the moldmakers expires in August 1971.

F. B. POLLOCK, *Chairman of Glass Containers Group and Vice Chairman of the Board of Directors.*

J. T. POLLOCK, *President and Chief Executive, Thatcher Glass.*

Thatcher has actively supported industry programs in the ecological field. At the national level, President Nixon has appointed a Council for National Industrial Pollution Control. The purpose of this Council is to advise the President and the Secretary of Commerce on industrial policies and progress relating to improvement of environmental quality.

Franklin B. Pollock, Vice Chairman of the Board of Directors of the Company, has been serving on the Container Subcouncil of the President's Council since February 1970.

One-way packaging has been viewed as a problem in litter and solid waste disposal. Although glass bottles represent only about 6% of waste materials in both areas, the glass container industry has taken further positive steps to alleviate the problem. Thatcher has played a leading role in this industry effort. Bottle recycling stations have been opened at 92 glass container plants throughout the country, including all six Thatcher plants. Almost 3,000,000 pounds of collected glass containers had been bought by Thatcher in the first six months of the program. The recovered bottles, along with purchases (20,000 tons in 1970) from broken-glass dealers, are returned to the glass-making furnaces to make new bottles. The industry also has worked to develop other uses for waste glass such as filler in brick, compost, glass wool insulation, and as an aggregate in a new roadsurfacing material called Glasphalt.

Chemical Group

Chemical operations continued to perform as an integral part in the Company's growth plans, providing a base of both technology and earnings.

The Group should grow during the '70s in response to increasing world-wide demands for the product convenience, versatility and quality offered through plastic raw materials. Contributing factors are the Group's manufacturing and marketing base, its international licensing program, and its reputation for producing quality raw materials through outstanding research, development, and engineering. The Group's broadening participation in chemical specialty activities also constitutes an important growth potential.

POLYMERS — Results Profits from joint venture operations with El Paso Products Company approached 1969 levels principally due to continued strength in polyethylene. The improvement in polyethylene operations was offset by depressed pricing conditions in polypropylene, start-up and higher operating costs of the expanded olefin plant at Odessa, Texas, and increased costs of labor and materials at **CT Film,** formerly called Consolidated Thermoplastics.

In Dart's 100%-owned styrenic operations, **Southwest Latex**, which makes styrene-butadiene latices, made excellent progress in sales and earnings. This improvement was offset by softening in the markets for **Rexene Polymers Company's** polystyrene and ABS (acrylonitrile-butadiene-styrene) and start-up of new styrenics facilities.

R. M. KNIGHT, *President and Chief Executive, Chemical Group and Vice President of the Company.*

POLYMERS — Operations At Rexene Polymers Company, excellent results from polyethylene activities reflect continued improvement of the product mix through increased emphasis on marketing specialty grades and eliminating less profitable items. In view of the prospects for this polymer, a production capacity increase is planned during 1971 from 310 million to 350 million pounds per year by debottlenecking existing production facilities.

Rexene Polymers' polypropylene sales (in pounds) increased approximately 10% over 1969 while industry-wide sales dropped 6%. Intensive market development programs are underway to promote new applications for specialty polypropylene products in the wire and cable, packaging and battery case markets.

CT Film now has added specialty shrink-wrap, nylon and embossed films to its packaging films.

Styrenic operations of Rexene Polymers should benefit from the grades of oriented polystyrene sheet coming from a new production line at Joliet, Illinois. ABS marketing, technical and process development activities have opened new applications for resin in the automotive and furniture industries. New compounding facilities are now in operation, improving the opportunity in ABS markets.

In view of the fine reception of Southwest Latex latices in the paper coating and textile industries, we are planning for further debottlenecking of the Bayport, Texas plant to increase capacity 25% in 1971 to 30 million pounds annually.

CHEMICAL SPECIALTIES **Wilson Products** manufactures color dispersions for plastic products and metering equipment by which color is incorporated in the product. Communications wire and cable, which requires highest quality color, is currently a major market. While Wilson's domestic results were behind a year ago, the division's overseas operations were well ahead. In light of prospects in the European market, capacity at the Assesse, Namur, Belgium plant was increased.

Combined results from catalyst operations at **Aztec** and **PureChem** improved over the prior year. Products of these divisions are used by manufacturers of all major plastic raw materials. PureChem products now are fully qualified for use by polypropylene manufacturers.

Fiberfil (fiberglass reinforced thermoplastics-*FRTP*) was affected particularly by the General Motors strike. A new plant to serve Canadian markets was started up successfully in Stoney Creek, Ontario. Fiberfil and Ciba, Ltd. signed an agreement under which Ciba can manufacture *FRTP*'s in Europe. In addition, General Electric Co. was licensed to manufacture, use and sell *FRTP*'s under Fiberfil's basic patent.

In 1970, Fiberfil introduced a number of new flame retardant materials which should increase applications in electrical and electronic products. Included are self-extinguishing *FRTP's* and a nylon resin with asbestos fiber reinforcement.

Electrochemicals, Inc., Cleveland, Ohio, makes proprietary chemicals used in electroplating by appliance, automotive and building materials manufacturers. Results were affected by the decline in these industries' operations during 1970.

Expansion into the environmental pollution control market was accomplished through the additions of **Lancy Laboratories,** Zelienople, Pa. in June 1970 and **Capital Controls**, Colmar, Pa. in January 1971. Lancy is internationally known for competence in waste systems engineering, primarily metallic wastes disposal. Capital Controls is a producer of chlorinators for water purification and treatment of waste waters. The manufacturing and marketing capabilities of Capital Controls should complement the research and development know-how of Lancy in waste treatment engineering. Operations of both companies in 1970 were ahead of those of the prior year.

DEVELOPMENT AND ENGINEERING The technical efforts of our scientists and engineers have played a major role in the growth of chemical activities for the past decade through the development of new products and processes for polymer operations. In addition to providing the marketing force with outstanding products, the research, development and engineering programs have yielded a continuing source of licensing income. During 1970 research and development programs in support of Chemical Specialties' areas were broadened.

Plastics Group

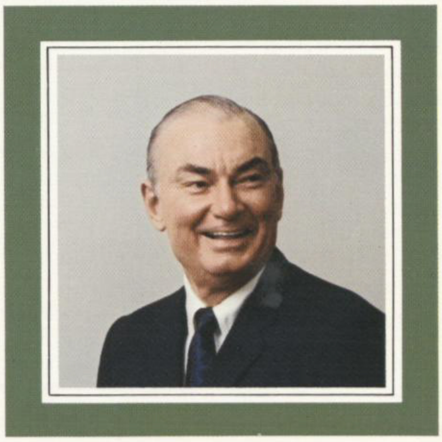
The Group performed favorably, with sales and profits ahead of the prior year. Packaging/Processing, Styro-Products and Architectural Products divisions all aided in this performance.

PACKAGING/PROCESSING Benefits of continuing comprehensive cost reduction and improved marketing programs contributed to 1970 results.

White Metal (metal tubes) gained broader market penetration and new manufacturing efficiencies. A new high-speed production line afforded greater productivity and a second line has now been installed. Economic conditions affected results from **Thatcher Plastic** tube and closure operations while *celon* performance approximated that of the prior year. To increase sales of *celons*, used to seal in product purity and prevent tampering, a new machine which applies *celons* to containers has been introduced to food and beverage packagers. Selective marketing programs were particularly effective in the improvements in international packaging.

Firm demand for **Colorite** garden hose was helped by the introduction of a new flat hose. Acceptance of the division's custom resin compounds also made a contribution. **Action Plastics** (extrusions) experienced good growth primarily from increased demand for flexible swimming pool hose. The patented process for manufacturing this hose provides an opportunity to broaden the product line. Sales at **American Gasket** (aerosol valve gaskets) were affected by the teamsters' strike in the midwest. **A.P.R.**-Belgium, an outgrowth of American Gasket and Action Plastics, continued to perform well.

Total results in signs and sign-leasing (**Plasti-Line** and **Epcon**) were ahead of the prior year despite a 4-week strike at Plasti-Line and reduced demand by auto, oil and franchise companies which was associated with the economy.



D. H. BREWER, *President and Chief Executive, Plastics Group and Vice President of the Company.*

STYRO-PRODUCTS Polystyrene foam drinking cups and food containers for institutions, fast food chains and consumers are made by **Thompson Industries** in the U.S., **Polychemical Industries Ltd.** in Canada and **Camira N.V.** in Holland. Polychemical serves Canadian markets from its facilities in Edmonton, Alberta, and Clarkson, Ontario. Camira N.V. provides both an entry to European markets and an interchange of products and technology between Europe and the U.S.

During the year Thompson's capacity was expanded as larger plants were occupied and smaller installations closed in Louisiana and California. Ground was broken for additional plants, one in Milford, New Hampshire, to serve New England, and two in Ohio. One of the Ohio plants, at Mount Sterling, will be a thermoforming, extrusion and injection molding facility to supply lids for eastern and midwestern markets. The other, at Monroeville, will replace an existing plant of smaller capacity. All three will be operational in 1971 and bring to 11 the number of Thompson plants.

The division introduced new products for both institutional and consumer use. A 32-ounce food container for take-out food service was well received and Thompson was first in the industry to convert all its lids to a translucent material so customers can see the containers' contents. For the consumer market, Thompson now makes clear polystyrene plastic tumblers and large 14-ounce foam cups for beverages.

Rexcel, a manufacturer of thermoformed dairy containers, continues to gain. A plastic yogurt container was added to its line. A polystyrene container featuring a leak-resistant lid and designed for hand-filling of delicatessen items was also added. Both products are intended to compete with and make inroads on paper products now used in these applications.

ARCHITECTURAL PRODUCTS
Improvement in this area in 1970 reflected a continuation of growth at **Ralph Wilson Plastics** in the face of softened construction market conditions. The division's decorative interior surfacing materials won enlarged acceptance because of customer confidence in the division's performance, quality and service. **Panel Products** (vinyl-clad wall board) also serves construction markets. The coordination of color and design in the divisions' products offers architects and interior decorators wide latitude in decor selection. Recent lowering of interest rates and recognition of acute housing needs indicate that the rate of starts should now increase, providing new sales opportunities in 1971.

Panel Products is introducing new decorative panelings to complement its wood grain panels. It is also developing a special thick panel designed for the furniture and fixture industry.

Ralph Wilson Plastics will broaden both the color and pattern lines of its *WILSON ART* high-pressure laminates which are used as surfacing for walls, doors, furniture, cabinets and countertops. *WILSON ART* Polyboard, a new material for furniture and cabinets, made of a polyester resin system, will be added to the product line in 1971. Polyboard patterns and colors will match and blend with the high-pressure laminates and will enable the division to give more complete service to its customers.

The division has begun manufacturing and marketing its own brand of contact adhesives especially tailored for use with high-pressure laminates. Acceptance has been excellent.

Rexall Group

REXALL GROUP as a whole showed good profit improvement in 1970.

Rexall — U.S. Despite a 12-week strike, Rexall operations produced higher profits as a result of lower operating expenses brought about by the reorganization which was commenced in 1968. Rexall Drug Company is continuing to emphasize the introduction and promotion of new high-volume products, particularly in the medicine and toiletries lines, while eliminating those items not up to volume or profitability standards.

R. T. BEATTIE, *Chairman and Chief Executive, Rexall Group and Vice President of the Company.*

Rexall — Canada and South Africa Foreign operations also showed sales volume and profit improvement.

Liggett and Drug King Retail Operations Profits from company-owned stores were off in 1970 due to reduced sales volume and a 2-month strike at the Liggett Drug Company warehouse in Jacksonville, Florida.

Seamless Seamless, headquartered in New Haven, Connecticut, manufactures medical and surgical products and recreational equipment. The division, formerly part of the Ethical Drug Group, showed good improvement over 1969 operations mainly from increased sales and efficiency obtained from the automated production of disposable surgeons' gloves. Demand for these gloves encouraged the construction of two more automated lines which will be operational in 1971.

With continuing growth opportunities envisioned in the medical and hospital fields, The Sterilon Company was acquired from The Gillette Company in mid-February, 1971. Sterilon manufactures medical and surgical disposable products in a modern plant in Fayette, Alabama. The addition of these products will complement Seamless' line of surgical gloves and procedure packs, and dressings from the Valley Park, Missouri plant. Overall, this will place the Company in a more advantageous marketing position.

During 1970, Seamless' recreational division introduced additional products backed by an expanded marketing effort to the retail, institutional and professional fields of sports.

G. G. COWAN, *President and Chief Executive, Dart Properties and Vice President of the Company.*

Dart Properties

Resort, Second Home Development

During the year, plans were further advanced for the orderly move into land development as a new platform for company growth.

Organized in January 1970, **Dart Properties** was assigned the responsibility of developing land acquisitions, seeking out new real estate opportunities, and providing real estate staff services for operating divisions. Initial area of concentration is in the resort, second home market where we are following the guiding principle of all Dart divisions in developing consumer-oriented products of highest quality. Accordingly, each of our projects includes ample recreation areas and careful consideration of environmental and ecological matters that are of interest to today's buyers.

Through both internal staffing and the acquisition late in the year of **Lakeworld Properties,** a land marketing and development organization with an outstanding performance record in quality recreational properties, Dart Properties now is a well-rounded organization with substantial management depth. Early in 1971, the Lakeworld team, headed by Jack Evans Kirby, assumed sales responsibility for the Company's projects, thereby giving Dart Properties direct control over this important area of the business.

Dart Properties' first land marketing project, Valley Hi in Victorville, California, was 75% sold out by year-end. This development comprised 1,200 lots and parcels zoned for commercial, industrial, residential, and mobile homes and is located within two hours driving time from the Los Angeles metropolitan area.

Bear Valley Springs, the second project, is a 24,000-acre recreation and residential community near Tehachapi, California. This is a prime example of an environmentally-appealing, second home community where nearly a quarter of the total acreage has been set aside for parks, greenbelts and wilderness area. These areas are reserved permanently for use by buyers. A maximum of 4,500 homesites is being offered for sale in the project. Preview sales on this property started in December 1970. The official public opening is scheduled for the spring of 1971.

A third project of over 5,000 acres, Silver Lakes, is well into the planning stage. Located in the Victor Valley of California, close to Valley Hi, this project is to be a resort com-

G. J. DALY, *Executive Vice President of the Company, Finance and Administration and Chief Executive, Corporate Group.*

munity suitable for both secondary and primary homes. To be developed in stages, the first section will encompass over 2,000 acres. Planned amenities include two lakes for water skiing and boating, a 27-hole golf course and equestrian facilities.

Corporate Group

DART DIRECT MARKETING A major segment of consumer marketing is direct marketing by mail. Advertising by mail has grown to be the second largest medium in dollar volume.

Dart Industries has expanded its direct mail marketing capabilities to offer a complete package of services including mailing list compilation and selection, customer file maintenance, creative advertising services and computer letter printing.

Market Compilation and Research Bureau is a leader in low cost and high accuracy computer processing systems which produce millions of computer letters annually.

Western Direct Mail Marketing, Los Angeles, an advertising service agency specializing in direct mail promotions, was acquired in September, broadening the ability to serve direct mail marketers.

A keystone to direct mail success is the list broker. One of the most respected in the nation is **Lewis Kleid, Inc.** Located in New York, and founded in 1937, this firm joined the division late in 1970. Operations at Kleid, whose clientele includes the leading mailers in the nation, are being expanded and personnel added to permit coverage of more markets.

BONUS GIFTS The *Bonus Gifts* program, through which coupons attached to name brand products generally found in grocery stores can be exchanged for cash or trading stamps, expanded during the summer of 1970 into a total area representing 25 percent of the nation's homes. Approximately 100 product brands representing 24 manufacturers now are in the program.

CORPORATE STAFF The management talent and services available from the corporate staff provide support to the sound growth and profitability of the operating groups. In pursuit of this objective, the staff assists corporate and group management in the critical analysis of current operations and in the development of profit plans. It aids in pin-pointing both long-term objectives and plans to assure orderly growth, and helps in identifying new growth areas.

As an integral part of long-term planning, a technical development team identifies new concepts related to products or processes which do not fall specifically within the scope of existing Company operations. It encourages technology exchanges among divisions, provides technical assistance to the divisions when required, and licenses technology and products to outside firms.

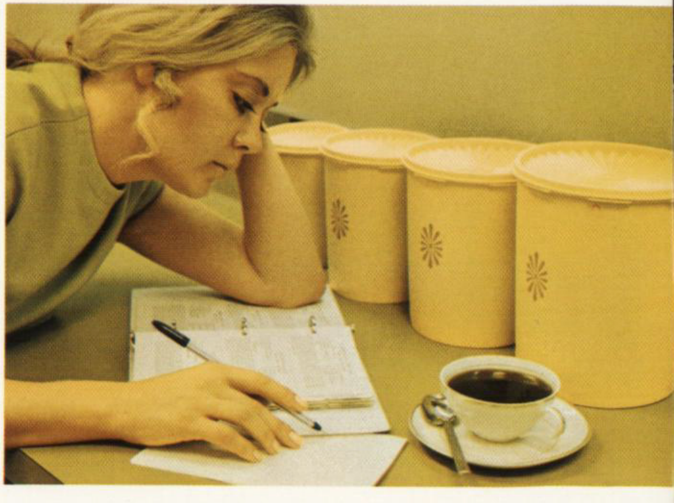
The corporate staff also assists in the review and analysis of the resource requirements and the allocation of resources, including manpower, that is necessary to achieve long-term objectives. In this connection, Robert G. Fergusson (Major General U.S. Army, retired) recently joined the Company as Group Vice President of Manpower Planning to advise on senior manpower requirements.

In addition to functioning much as an outside consultant firm would in providing a variety of management skills to operating groups on request, the staff also serves as a manpower pool. Since 1962, nearly 300 staff members have accepted positions among the operating divisions.

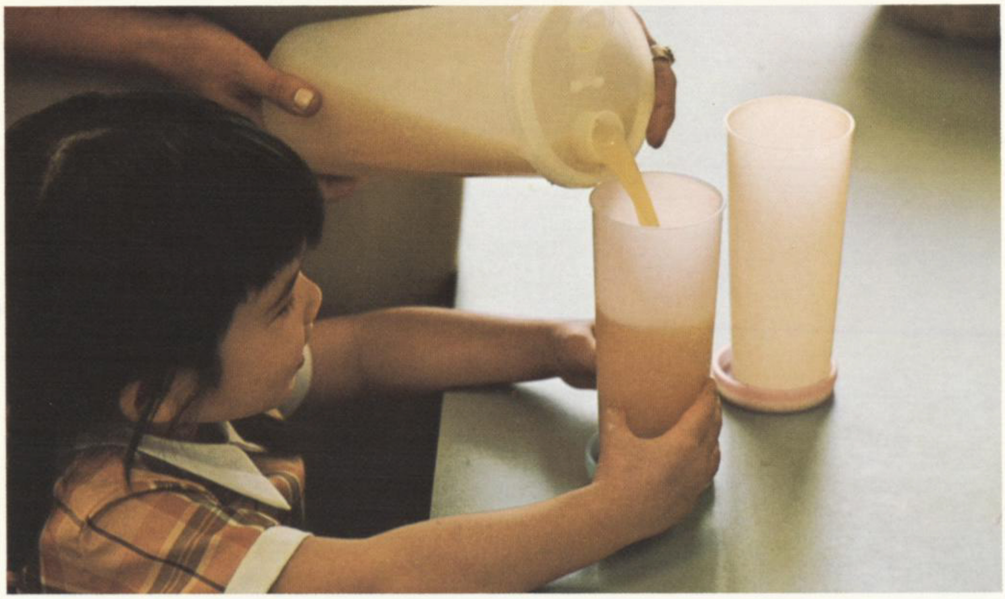
Dart Industries is a consumer and consumer-related product company. It is engaged in direct selling and in the manufacture of housewares, glass containers, architectural, pharmaceutical and health care products, chemicals and plastics, and in recreational land development.

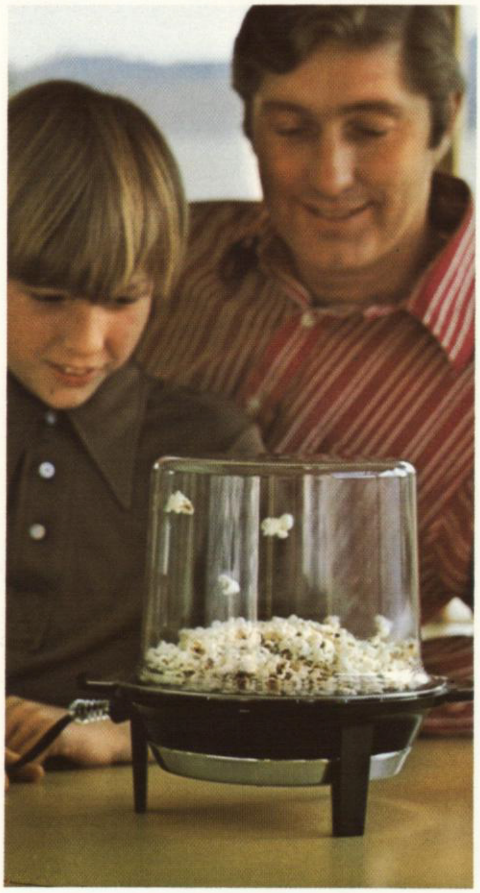
In the following pages, Dart Industries acknowledges the continuing efforts of its divisions to provide a broad variety of quality products to the consumer backed by superior service.

Tupperware — food storage, preparation and serving containers including a recently introduced decorator color canister set with unique seal (at right)

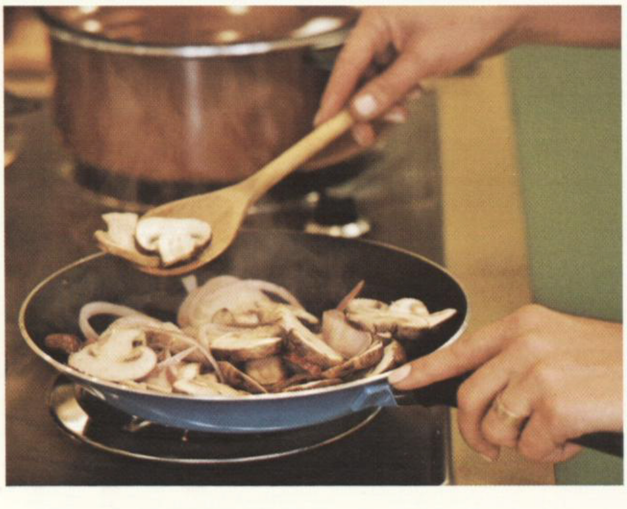


Tupperware – quality food storage containers, available through home parties, world-wide.





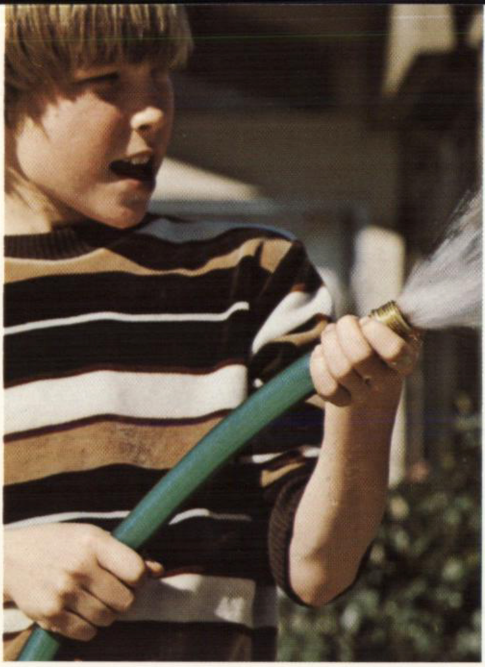
West Bend – from craftsmen who still care, West Bend cookware brings the warmth of color to the kitchen.

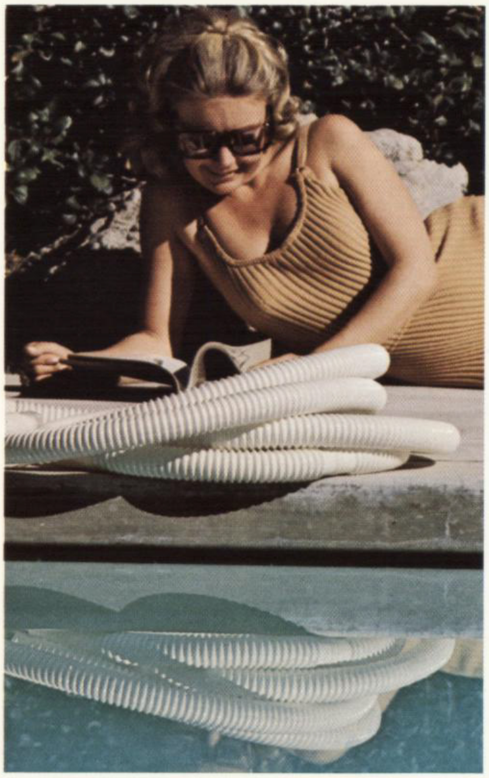


West Bend – cookware, non-electric and electric, in color

Also shown: *Thermo-Serv* – serving tray, Ralph Wilson Plastics – *Wilson-Art* decorative laminate counter and dining table tops

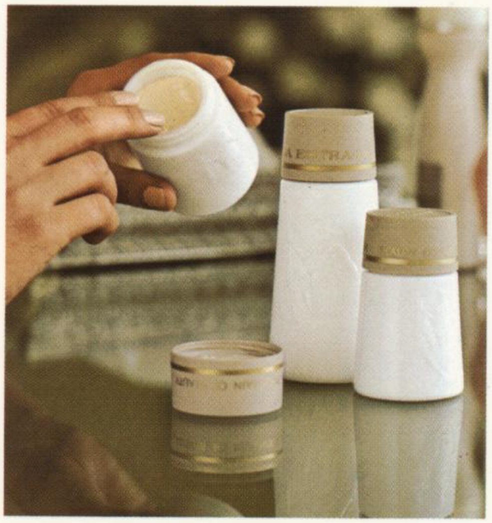
Relaxation begins at home
with Dart products.





West Bend — automatic coffee perk, *Thermo-Serv* — insulated mugs and serving trays, Colorite — flat garden hose, Capital Controls — water chlorination equipment, Action Plastics — swimming pool hose, Babcock-Phillips — lounge cushions, Seamless — recreation equipment, *Tupperware* — parfait set

A Vanda Beauty Counselor visit in the home offers personalized counseling on beauty care and grooming.



ANTI
PERSPIRANT

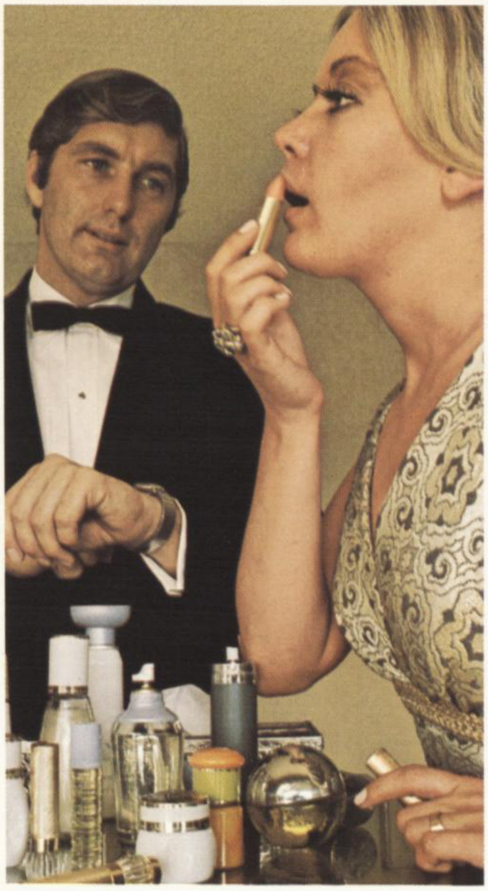
Vanda Beauty Counselor — Makeup, Skin Care, Daily Needs Products, Hair Care

Also shown: White Metal — collapsible metal tubes, American Gasket & Rubber — aerosol can gaskets

Vanda
Puppet theater

VIVO
VIVO
Vanda

Vanda Beauty Counselor – good-grooming products for the entire family...sophisticated fragrances for the modern woman.



Vanda
SOFT SOFT
BATH FOAM
SOFT SOFT
SPRAY POWDER
SOFT SOFT

Vanda Beauty Counselor — Fragrances, Grooming Aids for men and the young set, Bath Products

Also shown: Thatcher Plastic Packaging — plastic tubes and closures, Seamless — cotton balls, Rexene Polymers — polymers used in carpet backing, Southwest Latex — latex in carpet backing

Shasta
GINGER ALE
Schweppes
Vernors
PEPSI
Diet Rite Cola

The convenience of advanced packaging and the availability of quality health care products–values from Dart divisions.

Thatcher Glass — beverage containers, Rexall Drug — health care products, CT Film — packaging film for food, Rexene Polymers — polymers for packaging film and plastic bottles, Aztec/Pure Chem — catalysts for polymer production, Thompson/Polychemical — polystyrene foam cups, Rexcel — thermoformed dairy containers, Bonus Gifts — gift coupons on brand-name products

Plymouth
CHRYSLER
IMPERIAL

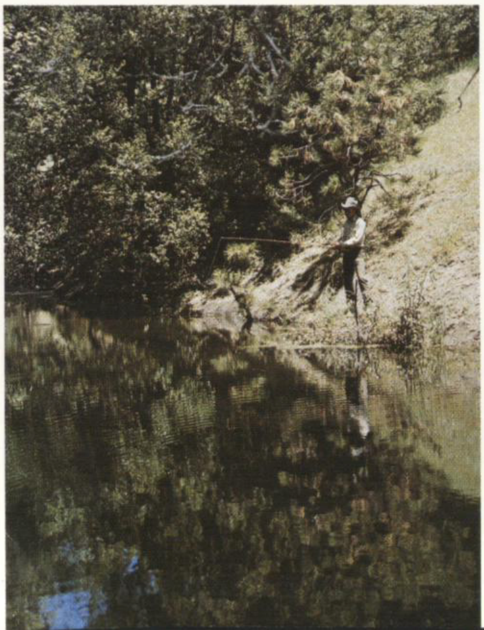
Rexall
SUPER
PLENAMINS

Dart Direct Marketing — direct response (mail) advertising, Plasti-Line/Epcon — national trademark signs, Fiberfil — automotive parts of fiberglass reinforced thermoplastics, Wilson Products — colorants for automotive wire, Electrochemicals — chemicals for electroplating automobile bumpers

Syroco — decorative tables, Parsons tables and decorative wall accessories, Babcock-Phillips — hassocks and cushions, Panel Products — vinyl-clad wall board, Reliable — paintings and frames, Coppercraft — copper giftware and wall plaques West Bend — *Air Care* electronic air cleaner, electric fondue set, *Tupperware* — toys

The products of Dart divisions help create a beautiful environment in the home.

Dart Properties – quality, second home, recreation-oriented land development.



Dart Properties — Bear Valley Springs, California — second home, resort living

Also shown: *Thermo-Serv* — vacuum bottles, Nappe-Smith — insulated outing bags, Thompson Industries — polystyrene take-out food bucket, clear plastic drinking cups, *Tupperware* — food containers

Dart Industries Inc. Companies and Products

Direct Selling Group

Headquarters — Orlando, Florida

TUPPERWARE DIVISION

Food storage and serving containers, toys

VANDA BEAUTY COUNSELOR DIVISION

Cosmetics and toiletries

Chemical Group

Headquarters — Los Angeles, Calif.

POLYMER ACTIVITIES

Rexene Polymers Company — *Polyethylene, Polypropylene and Olefins (joint venture with El Paso Products Company)*

Styrenics — Polystyrene, ABS

C T Film — *Packaging film (jointly owned with El Paso Products Company)*

Southwest Latex Co. — *Styrene-butadiene latices*

CHEMICAL SPECIALTIES ACTIVITIES

Aztec Chemicals — *Organic peroxides and peresters*

Capital Controls Co., Inc. — *Chlorinators for water purification and waste treatment*

Electrochemicals, Inc. — *Brighteners, strippers, additives for electroplating*

Fiberfil — *Fiberglass reinforced thermoplastics*

Lancy Laboratories, Inc. — *Waste treatment engineering*

PureChem — *Titanium trichloride*

Wilson Products — *Color concentrates*

DEVELOPMENT AND ENGINEERING ACTIVITIES

Research and development, licensing, facilities construction

Consumer Products Group

Headquarters — West Bend, Wis.

WEST BEND DIVISION

The West Bend Company — West Bend of Canada Ltd. — *Cookware, electric housewares, humidifiers, electronic air cleaners and personal care items*

Coppercraft Guild — *Copper giftware*

Thermo-Serv — *Insulated and non-insulated serving ware, vacuum products*

Nappe-Smith Company — *Insulated bags and thermal containers*

HOME FURNISHINGS DIVISION

Syroco — Syroco Canada — *Decorative accessories, tables*

Babcock-Phillips — *Hassocks, cushions, pillows*

Reliable Manufacturing — *picture frames, paintings*

Glass Containers Group

Headquarters — New York City, N.Y.

Thatcher Glass — *Convenience packaging*

Rexall Group

Headquarters — St. Louis, Missouri

Rexall Drug Co. — *Manufacturing and franchising*

Liggett and Drug King — *Company owned drug stores*

Rexall Realty — *Store financing*

Seamless — *Medical and surgical products, recreational products*

Dart Properties Group

Headquarters — Los Angeles, Calif.

Dart Properties — *Land development*
Lakeworld Properties — *Land marketing*

Plastics Group

Headquarters — Los Angeles, Calif.

ARCHITECTURAL PRODUCTS

Ralph Wilson Plastics — *"Wilson Art" decorative laminates, laminated art*

Panel Products — *Vinyl-clad wall and furniture board*

STYRO-PRODUCTS

Thompson Industries, Rexcel,

Polychemical Industries, Ltd.,

Camira N.V. — *Styrene containers*

PACKAGING / PROCESSING

Thatcher Plastic Packaging — *Tubes, closures, seals*

White Metal — *Collapsible metal tubes*

Imco Companies overseas — *Plastic bottles*

Plasti-Line — *National trademark signs*

Epcon — *Custom signs and leasing, sign facings and components*

American Gasket and Rubber — *Aerosol gaskets*

Colorite Plastics — *Garden hose, compounding*

Action Plastics — *Extruded specialties*

Corporate Group

Headquarters — Los Angeles, Calif.

Dart Direct Marketing — *Direct response marketing*

Market Compilation and Research Bureau

Lewis Kleid, Inc.

Western Direct Mail Marketing

Bonus Gifts, Inc. — *Continuity gift program (jointly owned with The Glendinning Companies)*

Corporate staff services

Financial Statements

DART INDUSTRIES INC. AND ITS CONSOLIDATED SUBSIDIARIES

Balance Sheet December 31, 1970 and 1969

ASSETS

	1970	1969 (restated)
Current assets:		
Cash and short term securities	$ 32,749,000	$ 33,651,000
Accounts and notes receivable	113,113,000	109,923,000
Inventories	156,617,000	145,166,000
Land under development for sale	7,758,000	2,757,000
Prepaid expenses	7,704,000	6,484,000
Deferred future income tax benefits	7,100,000	3,950,000
Total current assets	325,041,000	301,931,000
Properties:		
Properties owned	258,440,000	241,460,000
Properties leased from others	19,273,000	20,351,000
Total properties	277,713,000	261,811,000
Investments and other assets:		
Investment in 3M Company common stock	98,335,000	
Other receivables, deposits and investments	18,841,000	15,327,000
Land and improvements held for development and sale	4,419,000	2,478,000
Intangibles	12,768,000	19,018,000
Deferred charges	1,766,000	3,031,000
Total investments and other assets	136,129,000	39,854,000
Total assets	$738,883,000	$603,596,000

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1970	1969 *(restated)*
Current liabilities:		
Accounts payable	$ 39,677,000	$ 48,513,000
Accrued compensation and related taxes	20,689,000	21,994,000
Other accrued expenses	40,867,000	33,723,000
Short term commercial paper	35,100,000	
Short term loans, foreign	5,412,000	1,335,000
Current instalments of discounted rental and land obligations	1,084,000	1,027,000
Estimated United States and foreign income taxes	21,000,000	18,039,000
Current instalments of long term debt	6,065,000	6,613,000
Total current liabilities	169,894,000	131,244,000
Discounted rental obligations under certain leases, less current instalments	20,699,000	21,638,000
Notes payable on land held for development and sale, less current instalments	663,000	2,417,000
Deferred income taxes	43,000,000	23,852,000
Long term debt, less current instalments	76,616,000	78,551,000
Stockholders' equity:		
Preferred Stock	14,961,000	14,944,000
Common Stock	22,276,000	21,550,000
Capital in excess of par value	157,500,000	131,556,000
Retained earnings*	234,925,000	179,495,000
	429,662,000	347,545,000
Less cost of reacquired shares of capital stock; Preferred — 32,500, Common — 5,500	1,651,000	1,651,000
Total stockholders' equity	428,011,000	345,894,000
Total liabilities and stockholders' equity	$738,883,000	$603,596,000

**Of the 1970 retained earnings, $16,468,000 is reserved for a 3% Common Stock dividend of 539,900 shares payable March 11, 1971.*

Statement of Earnings and Retained Earnings

For the Years Ended December 31, 1970 and 1969	1970	1969 *(restated)*
CONTINUING OPERATIONS—EXCLUDING RIKER:		
INCOME—		
Sales and revenues, less returns, allowances and discounts	$703,304,000	$666,543,000
Other income	8,051,000	6,582,000
	711,355,000	673,125,000
COSTS AND EXPENSES—		
Cost of goods sold and operating expenses	414,346,000	388,806,000
Selling, distribution, promotional and administrative expenses	180,652,000	168,884,000
Depreciation and amortization	27,713,000	25,446,000
Interest on debt and other obligations	9,631,000	6,466,000
Provision for United States, foreign and state taxes based upon income:		
Taxes payable currently	37,400,000	36,704,000
Tax effect of timing differences	1,900,000	6,100,000
	671,642,000	632,406,000
EARNINGS FROM CONTINUING OPERATIONS—EXCLUDING RIKER	39,713,000	40,719,000
Earnings of Riker after taxes based upon income		4,290,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	39,713,000	45,009,000
EXTRAORDINARY ITEMS, NET OF APPLICABLE INCOME TAXES	52,445,000	
NET EARNINGS	92,158,000	45,009,000
RETAINED EARNINGS AT BEGINNING OF YEAR	179,495,000	164,847,000
	271,653,000	209,856,000
DIVIDENDS—		
Cash: Dart Industries Inc.		
Preferred—$2 per share	5,920,000	5,910,000
Common—$.30 per share	5,273,000	5,036,000
Pooled companies, prior to merger or acquisition	96,000	231,000
Common Stock, 3%, 513,900 shares at $49.50 per share paid in March 1970 and 487,200 shares at $39.375 paid in March 1969	25,439,000	19,184,000
	36,728,000	30,361,000
RETAINED EARNINGS AT END OF YEAR	$234,925,000	$179,495,000
EARNINGS PER SHARE OF COMMON STOCK:		
INCLUDING COMMON STOCK EQUIVALENTS—		
Continuing operations—excluding Riker	$ 1.90	$ 1.98
Riker		.24
Before extraordinary items	1.90	2.22
Extraordinary items	2.94	
Net earnings	$ 4.84	$ 2.22
FULLY DILUTED—		
Before extraordinary items	$ 1.88	$ 2.14
Net earnings	$ 4.40	$ 2.14

See accompanying notes to financial statements.

Statement of Capital Stock

For the Years Ended December 31, 1970 and 1969	1970		1969 *(restated)*	
	Shares issued	*Amount*	*Shares issued*	*Amount*
PREFERRED, $5.00 PAR VALUE Authorized, 3,000,000 shares Series A $2 Cumulative Convertible (aggregate liquidating preference in 1970—$149,615,000)				
AT BEGINNING OF YEAR	2,988,800	$14,944,000	2,984,300	$14,921,000
Upon exercise of options	3,500	17,000	5,000	25,000
Upon conversion into Common Stock			(500)	(2,000)
AT END OF YEAR, INCLUDING REACQUIRED SHARES	2,992,300	$14,961,000	2,988,800	$14,944,000
COMMON, $1.25 PAR VALUE Authorized, 35,000,000 shares				
AT BEGINNING OF YEAR	17,239,800	$21,550,000	16,492,600	$20,616,000
For stock dividend	513,900	642,000	487,200	609,000
Upon exercise of options	66,900	84,000	259,500	324,000
Upon conversion of Preferred Stock			500	1,000
AT END OF YEAR, INCLUDING REACQUIRED SHARES	17,820,600	$22,276,000	17,239,800	$21,550,000

Statement of Capital in Excess of Par Value

For the Years Ended December 31, 1970 and 1969	1970	1969 *(restated)*
AT BEGINNING OF YEAR	$131,556,000	$108,217,000
Excess of fair value over par value of Common Stock issued as stock dividend	24,797,000	18,575,000
Costs and expenses of mergers	(60,000)	(27,000)
Other credits, principally the excess of option prices over par value of stock options exercised	1,207,000	4,791,000
AT END OF YEAR	$157,500,000	$131,556,000

See accompanying notes to financial statements.

Statement of Source and Application of Funds

For the Years Ended December 31, 1970 and 1969	1970	1969* (restated)
SOURCE:		
Net earnings for the year	$ 92,158,000	$45,009,000
Depreciation and amortization	27,713,000	26,694,000
Provision for deferred income taxes	19,148,000	3,952,000
CASH FLOW	139,019,000	75,655,000
Increase in long term debt	4,185,000	2,726,000
Sale of properties and investments, excluding gain	21,241,000	1,761,000
Exercise of stock options	1,307,000	5,013,000
Notes payable on land held for development and sale		2,417,000
Discounted rental obligations under certain leases		191,000
Other, net	1,958,000	882,000
TOTAL FUNDS PROVIDED	167,710,000	88,645,000
APPLICATION:		
Properties and other assets purchased	58,322,000	65,122,000
Properties leased from others		1,202,000
Investment in 3M Company common stock	98,335,000	
Cash dividends paid by Dart —		
Preferred Stock	5,920,000	5,910,000
Common Stock	5,273,000	5,036,000
Cash dividends paid by pooled companies prior to merger or acquisition	96,000	231,000
Land operations — contracts receivable and land held for development and sale	6,491,000	7,618,000
Decrease in long term debt	6,120,000	6,650,000
Notes payable on land held for development and sale	1,754,000	
Discounted rental obligations under certain leases	939,000	
Purchase of treasury stock		1,191,000
TOTAL FUNDS APPLIED	183,250,000	92,960,000
Working capital decrease	$ 15,540,000	$ 4,315,000

See accompanying notes to financial statements.

**Amounts for 1969 include Riker.*

Notes to Financial Statements

Details of balance sheet	1970	1969 *(restated)*
Accounts and notes receivable:		
Trade	$114,018,000	$109,448,000
Other	6,018,000	6,801,000
	120,036,000	116,249,000
Less reserve	6,923,000	6,326,000
	$113,113,000	$109,923,000
Inventories, at lower of cost (principally fifo or average) or market:		
Raw materials and supplies	$ 46,020,000	$ 45,567,000
Work in process	11,839,000	12,738,000
Finished goods	98,758,000	86,861,000
	$156,617,000	$145,166,000
Properties owned, at cost:		
Land	$ 7,659,000	$ 7,498,000
Buildings and improvements	109,629,000	99,575,000
Machinery and equipment	270,366,000	253,178,000
Leasehold improvements, store fixtures, etc.	8,005,000	8,472,000
Construction in progress	16,485,000	15,924,000
	412,144,000	384,647,000
Less accumulated depreciation, provided generally on a straight line basis	153,704,000	143,187,000
	$258,440,000	$241,460,000
Intangibles, at cost less amortization:		
Excess of investments in businesses purchased over net assets acquired	$ 11,527,000	$ 16,628,000
Patents, licenses, trademarks, etc.	1,241,000	2,390,000
	$ 12,768,000	$ 19,018,000
Long term debt, less current instalments:		
Unsecured notes, 4.042% to 5.75%, due in annual instalments to 1987	$ 68,521,000	$ 73,515,000
Other	8,095,000	5,036,000
	$ 76,616,000	$ 78,551,000

Basis of consolidation and accounting principles All significant subsidiaries are consolidated. Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. All significant intercompany transactions have been eliminated. A summary of amounts related to foreign subsidiaries at December 31 (excluding intercompany accounts) follows:

	1970	1969
Current assets	$52,978,000	$56,443,000
Properties	29,188,000	36,865,000
Investments and other assets	3,946,000	4,600,000
Total assets	86,112,000	97,908,000
Current liabilities	23,214,000	22,448,000
Long term debt, less current instalments, and deferred income taxes	4,719,000	7,016,000
Total liabilities	27,933,000	29,464,000
Net assets of foreign subsidiaries in consolidation	$58,179,000	$68,444,000

Net sales from all operations outside the United States were $93,960,000 in 1970 and $84,439,000 in 1969. Undistributed earnings of foreign subsidiaries included in consolidation were $2,302,000 for 1970 and $5,651,000 for 1969 and aggregated $34,301,000 at December 31, 1970. Dividends of $3,060,000 in 1970 and $558,000 in 1969 were received from foreign subsidiaries. The 1969 amounts exclude Riker. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

During 1970 certain mergers and acquisitions were consummated which resulted in the issuance of 142,300 newly issued shares of Dart Common Stock. These transactions have been accounted for as poolings of interests and accordingly the accompanying consolidated statements include the accounts of these businesses as of December 31, 1970 and for the year then ended. Comparative 1969 amounts have been restated to include the accounts of these businesses. A maximum of 32,400 shares of Dart's Common Stock may be required to be issued by no later than 1975 pursuant to one of the 1970 acquisition agreements. Certain other businesses were acquired for cash and such acquisitions were accounted for as purchases. The operations of purchased businesses have been included in Dart's financial statements from the dates of their acquisition. Purchased businesses, considered as a whole, were not significant. Up to $3,600,000 may be required to be paid in 1971 in connection with a 1969 purchase.

Dart is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

Depreciation of property, plant and equipment has been provided on a consistent basis based on the estimated average useful life of the various assets, applied chiefly on a straight line basis excluding fully depreciated assets. Declining balance and guideline depreciation generally are used in the determination of income for tax purposes where applicable.

On January 8, 1971 Capital Controls Company, Inc. was merged into Dart in exchange for 182,000 newly issued shares of Dart Common Stock. Capital, with 1970 sales and net earnings of $2,952,000 and $425,000, respectively, manufactures a line of water chlorinators and other water pollution control equipment. At November 30, 1970, Capital's balance sheet comprised the following: current assets — $1,216,000; properties — $457,000; investments and other assets — $77,000; current liabilities — $537,000; stockholders' equity — $1,213,000. This transaction will be accounted for as a pooling of interests in 1971.

Properties leased from others Dart has recorded as assets the cost of certain properties leased from others subsequent to 1964. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown in a following Note.

Land development operations Obligations related to land held for development and sale are shown separately in the accompanying balance sheet. These obligations will be substantially satisfied by 1973. Interest and property taxes related to land held for development and sale are charged against earnings as incurred.

Income taxes Dart makes provision for deferred income taxes and future income tax benefits applicable to all timing differences between book and tax income. The net amount of such provision and the accumulated balances at yearend are shown separately in the accompanying financial statements. Investment tax credits of $75,000 and $1,600,000 have been applied to reduce the tax provision for 1970 and 1969 respectively.

Long term debt Total principal payments due in the five years subsequent to December 31, 1970 on long term debt are as follows: 1971 — $6,065,000; 1972 — $6,059,000; 1973 — $5,589,000; 1974 — $5,545,000; 1975 — $8,998,000.

Under loan agreements with certain banks and insurance companies, $52,000,000 of the consolidated retained earnings at December 31, 1970 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

In August 1970 Dart completed arrangements with a group of banks for a $100 million revolving line of credit covering the three year period ending August 31, 1973. Under certain circumstances all or part of the principal amount outstanding at that date may be converted, at Dart's option, to term loan status payable over a period of four years. Dart has the privilege of making voluntary prepayments in full or from time to time of making partial prepayments. As of December 31, 1970 no borrowing was outstanding under these arrangements. It is anticipated that this commitment will be re-examined by Dart upon receipt of the proceeds from the sale of debentures proposed to be issued as described in a following Note.

Preferred Stock Holders of the Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary or involuntary liquidation, dissolution or winding up to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption on and after June 30, 1971 at $55 per share plus accrued unpaid dividends.

Stock options 1,021,300 shares of Dart Common Stock are reserved for purchase by officers and employees under a stockholder approved stock option plan. Options for 892,300 shares were exercised prior to 1970. A summary of changes during 1970 follows:

	Options outstanding	
	Shares	*Amount*
At beginning of year	703,900	$22,468,000
Adjustment for stock dividend	19,600	
Options granted	418,700	13,088,000
Options exercised	(66,900)	(1,200,000)
Options canceled	(118,500)	(3,643,000)
At end of year	956,800	$30,713,000

At December 31, 1970 options for 211,500 shares of Common Stock were exercisable and 64,500 shares of Common Stock were available for granting.

8,700 shares of Series A $2 Cumulative Convertible Preferred Stock having an aggregate exercise price of $420,000 are reserved for options. There is no plan to issue any new Preferred Stock options.

Commitments and contingencies Minimum annual lease rentals payable, including $9,875,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1970 are as follows:

	Minimum annual rentals	
	Payable	*Receivable*
Leases expiring in		
1971 — 1975	$13,754,000	$1,033,000
1976 — 1980	2,572,000	459,000
1981 — 1985	1,080,000	224,000
1986 — 1990	1,171,000	44,000
after 1990	579,000	
	$19,156,000	$1,760,000

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Some of the leases entered into prior to 1965 contain purchase options. Provision has been made for estimated lease losses on properties no longer operated. Information concerning certain capitalized leases is contained in a preceding Note.

Certain lawsuits have been filed against Dart. In the opinion of counsel, it seems unlikely that any damages ultimately recovered would have a materially adverse effect on Dart's financial position.

Capital expenditures It is estimated that capital expenditures for 1971 will be approximately $57,000,000.

Retirement plans Dart and certain of its United States subsidiaries continued the contributory profit sharing retirement plan, the principal retirement plan, established in 1955 covering salaried employees with one or more years of employment with Dart. The aggregate Dart contribution in any year is based upon consolidated earnings before federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for federal income tax purposes. The computations include net earnings after income taxes of certain divisions whose employees do not participate in the Dart plan, but who participate in previously existing retirement plans which have been continued in effect. The contribution to be made under the Dart profit sharing plan amounted to $2,935,000 for 1970 and totaled $3,225,000 for 1969.

Dart and its subsidiaries have several pension plans covering substantially all of their employees not covered by Dart's profit sharing retirement plan, including certain employees in foreign countries. The total pension expense was $2,658,000 for 1970 and $2,800,000 for 1969 which includes, as applicable, amortization of prior service cost principally over a period of 40 years. Dart's policy is, generally, to contribute the pension cost accrued for funded plans and to create accounting reserves for unfunded plans. The actuarially computed value of vested benefits for all plans exceeded, as of December 31, 1970, the total of the pension funds and accruals by about $5,000,000.

Incentive compensation Under the formula incorporated in Dart's 1962 stockholder approved Incentive Compensation Plan for principal officers and key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 66 principal officers and key employees $712,000 ($1,119,000 for 1969) of the total of $2,539,000 available for 1970. No outside director participates in this plan.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Dart and certain special awards have been authorized for employees not participating in any plan. No principal officers or directors participate in these plans or special awards. The above named committees awarded $3,322,000 ($3,640,000 for 1969) to 709 persons in these categories. The total amount available under the plans and inclusive of special awards was $4,749,000.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in 1970 consolidated earnings.

Earnings per share of Common Stock In 1969 Dart adopted the provisions of Accounting Principles Board Opinion 15 on a prospective basis. Accordingly, earnings per share of Common Stock and Common Stock equivalents are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options granted after May 31, 1969 and after giving retroactive effect to stock dividends. Net earnings attributable to Common Stock is after deducting Preferred dividend requirements.

Fully diluted earnings per share of Common Stock are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock retroactive to the beginning of 1969 and assumption of exercise of all dilutive stock options retroactive to the beginning of each year or later dates of grant and purchase of treasury stock with the proceeds at the higher of yearend or average market prices.

Extraordinary items The net extraordinary gain, totaling $52,445,000, consists of the following items:

Gain of $54,763,000, after reduction for expenses and other costs of the transaction and for applicable United States, state and foreign tax provision of $35,842,000, resulted from the sale on January 6, 1970 by Dart of substantially all of the assets and liabilities of its Riker ethical drug business to Minnesota Mining and Manufacturing Company (3M) for 1,483,489 shares of 3M common stock. The net book value of assets sold aggregated $32,200,000. The agreement with 3M restricts disposition of the 3M stock for periods ranging into 1972. Therefore, the stock was independently appraised for recognition of gain at $129,800,000, based on its market value on the closing date less reduction to recognize the restrictions and the costs and expenses expected to be incurred upon ultimate disposition of the stock. At December 31, 1970 approximately 1,113,000 shares of the 3M common stock still were owned. Market value of the 3M common stock at December 31, 1970 exceeded the carrying value at that date.

In the accompanying consolidated statement of earnings and retained earnings operating results of Riker for 1969 have been excluded from continuing operations and have been reflected separately.

On February 9, 1971 a major earthquake occurred in the general area of Los Angeles, California. Several of Dart's facilities sustained minor damage but at the glass container manufacturing plant near Saugus, California, two of the glass furnaces were destroyed and the third sustained extensive damage. Lesser damage to the plant and certain other equipment resulted from the earthquake and resultant fire. In addition, a substantial quantity of finished goods inventory stored in company owned warehouses adjoining the manufacturing facility was destroyed and there was some damage to the warehouses as well. Losses and costs and expenses expected to be incurred have been provided for in the amount of $2,318,000, after reduction for estimated recovery under existing insurance coverage, and after reduction of $2,337,000 for current and future tax benefits.

Event subsequent to March 1, 1971
Dart is filing with the Securities and Exchange Commission a registration statement covering an issue of $60,000,000 principal amount of 25 year debentures. This debenture issue is scheduled for offering to the public about April 1, 1971.

Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

606 South Olive Street
Los Angeles 90014
March 1, 1971

To the Board of Directors and
Stockholders of Dart Industries Inc.

In our opinion, the accompanying statements on pages 34 to 43 present fairly the financial position of Dart Industries Inc. and its consolidated subsidiaries at December 31, 1970 and 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse + Co.

DART INDUSTRIES INC. AND ITS CONSOLIDATED SUBSIDIARIES

Ten Year Financial Review

(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)

FOR THE YEAR	1970	1969†
Operations — excluding Riker after 1965		
Net sales	703,304	666,543
Earnings before income taxes	79,013	83,523
Income taxes	39,300	42,804
Earnings before extraordinary items	39,713	45,009
Extraordinary items	52,445	
Pro forma Preferred dividend requirements*	5,920	5,910
Net earnings applicable to Common Stock after pro forma Preferred dividend requirements	86,238	39,099
Per share of Common Stock		
Earnings before extraordinary items	1.90	2.22
Net earnings	4.84	2.22
Cash dividends	.30	.30
Stock dividends	3%	3%
Cash dividends paid		
Common Stock	5,273	5,036
Preferred Stock	5,920	5,910
Cash flow**	139,019	75,655
Cash flow per share	7.80	4.29
AT YEAR END		
Working capital	155,147	170,687
Properties owned (net)	258,440	241,460
Total assets	738,883	603,596
Long term debt	76,616	78,551
Deferred income taxes	43,000	23,852
Stockholders' equity	428,011	345,894
Shares of stock outstanding		
Common	17,815,100	17,748,000
Preferred (pro forma prior to 1966)	2,959,800	2,956,300
Stockholders		
Common	35,507	34,396
Preferred (pro forma prior to 1966)	6,030	5,934
Employees (including Riker prior to 1970)	26,826	29,381

†Amounts for 1969 have been restated for transactions accounted for as poolings of interests in 1970.

**Pro forma for years prior to issuance of stock in mergers.*

***Net earnings, plus depreciation and amortization and provision for deferred income taxes.*

1968	1967	1966	1965	1964	1963	1962	1961
602,250	566,883	527,315	526,773	446,654	401,424	334,909	320,328
63,659	54,602	44,317	65,816	49,995	39,362	20,653	24,241
31,611	23,527	17,596	28,420	22,027	19,658	11,434	11,844
37,116	35,405	30,635	37,396	27,968	19,704	9,219	12,397
294				1,845		(1,650)	
5,945	5,914	5,859	5,897	5,466	5,393	4,707	4,415
31,465	29,491	24,776	31,499	24,347	14,311	2,862	7,982
1.81	1.74	1.47	1.88	1.42	.92	.35	.62
1.83	1.74	1.47	1.88	1.54	.92	.22	.62
.30	.30	.30	.30	.26¼	.25	.25	.25
3%	3%	3%	3%	3%	3%	3%	3%
4,341	3,929	3,670	3,095	2,528	2,318	2,247	2,130
5,655	5,334	2,640					
65,108	60,621	55,028	56,185	44,609	36,395	21,706	23,231
3.78	3.57	3.27	3.35	2.82	2.33	1.66	1.81
174,439	153,225	144,463	141,662	133,293	124,128	96,257	80,878
207,735	197,365	181,616	164,927	122,043	104,501	84,783	81,776
536,079	495,024	456,025	418,934	355,331	317,356	261,308	245,257
82,375	84,702	88,188	89,255	81,607	84,276	74,554	64,590
19,900	17,300	15,742	12,640	11,112	10,777	6,452	4,525
306,902	276,597	250,569	230,231	187,957	162,735	129,214	123,796
17,336,700	17,028,200	16,831,300	16,849,300	15,839,600	15,627,500	13,071,400	12,935,900
2,976,800	2,957,400	2,930,300	2,961,400	2,734,300	2,699,700	2,353,600	2,214,400
35,144	33,903	32,370	26,769	23,262	22,217	21,948	21,079
5,947	5,204	4,691	4,770	4,450	4,878	5,207	5,019
28,106	27,699	28,346	25,488	20,889	19,400	16,862	15,759

Net earnings per share for 1970 and 1969 are based upon the weighted average number of shares of Common Stock outstanding during the year increased by the effect of dilutive stock options granted after May 31, 1969. Net earnings per share for all years prior to 1969 are based upon the weighted average number of shares of Common Stock outstanding. The shares of Common Stock outstanding and net earnings per share for 1969 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

Fully diluted earnings per share of Common Stock outstanding were $4.40 for 1970, $2.14 for 1969 and $1.79 for 1968.

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